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16 June 1958

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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

I. THE COMMUNIST BLOC

yes

USSR - Latin America: The Soviet Union has submitted the low bid to furnish Argentina with some 7,266,000 barrels of crude oil for about \$13,000,000. In view of the Soviet price and Argentina's bleak financial situation, the Frondizi government is likely to accept. Uruguay, which, like Argentina, has a dollar shortage and marketing problems, has recently made a substantial purchase of Soviet petroleum, and Brazil is considering a Soviet offer to barter oil for coffee.

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II. ASIA-AFRICA

no

Indonesia: President Sukarno stated publicly on 14 June that the present cabinet would neither be dissolved nor reshuffled. There has been a widespread feeling in Djakarta political circles that press charges of a cabinet change resulting from Western pressure must be refuted.

no

Cyprus: Britain apparently intends to push ahead with its plan to announce new proposals for Cyprus on 17 June despite expected rejection by Greece and Turkey. Greece's withdrawal of its personnel from the NATO base at Izmir is intended both as a precautionary measure and as a demonstration of Greek bitterness over the Cyprus issue. Greek officials state Athens will sever relations with Ankara if Greeks in Turkey are molested, and they are hinting at a

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possible withdrawal from NATO. On Cyprus, a tight curfew is in force. Demonstrations continue in Greece and Turkey.

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No

Special Watch Committee conclusion--Lebanon (as of 14 June 1958): Although the sporadic fighting on 14 June in Beirut may be the start of the reported attempt to take over the city, evidence indicates that the opposition does not have the capability to do so provided the army remains loyal.

The loyalty of the army remains uncertain and an attempted coup d'etat to replace Chamoun by Shihab is a distinct possibility.

A request by Chamoun for intervention in Lebanon in the near future is possible. The call for intervention might take the form of a request for Western intervention or for a greatly expanded UN observer corps, possibly a UNEF.

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Soviet Offer of Crude Oil May Be Accepted by Argentina

Argentina's consideration of a Soviet bid to supply approximately 7,266,000 barrels of crude oil during the next year, possibly under the 1953 trade agreement, is consistent with its bleak financial situation and stated policy of trying to obtain essential import requirements through increased trade. The Soviet offer to supply crude at \$1.78 a barrel FOB a Black Sea port was the lowest of eight in response to a recent Argentine Government call for bids, and the government may accept it, according to a credible report reaching the American Embassy in Buenos Aires.

The amount offered equals about 17 percent of Argentina's total imports of crude during 1957. Argentina imported a total of 1,244,000 barrels of Soviet crude during 1954 and 1955, when it had a large credit balance with the USSR resulting from sales of agricultural products. No Soviet crude has been imported since then. Venezuela and Kuwait have remained the main suppliers.

Growing consumption, which has exceeded the rate of increase in oil production, has aggravated Argentina's financial difficulties. Argentina's petroleum bill for 1957, some \$270,000,000, exceeded its total holdings of gold and foreign exchange, which at the end of April amounted to only \$250,000,000.

Soviet supply of acceptable and reasonably-priced crude would heighten Argentine interest in increased trade with the USSR, which dropped from \$56,300,000 in 1955 to \$17,-200,000 in 1957. The twin factors of dollar shortages and difficulties in marketing exports are also leading Brazil and Uruguay to consider Soviet crude. The USSR recently offered to barter 1,450,000 barrels of crude for Brazilian coffee, cocoa, and cotton, and a trial shipment of Soviet oil arrived in Montevideo on 2 June.

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II. ASIA-AFRICA

Cyprus

Demonstrations over Cyprus continue in both Turkey and Greece, although the island itself remains relatively quiet under strict curfew. An attempt by students in Athens to hold a meeting on 14 June, in defiance of a government ban, resulted in clashes with the police and several casualties.

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Mass meetings continue throughout Turkey. A demonstration near Izmir announced for 15 June was probably primarily responsible for Greece's withdrawal of its personnel from the NATO base in that city on 14 June. Athens may have hoped to demonstrate its bitterness at alleged Turkish initiation of recent clashes in Cyprus. Greek personnel were previously withdrawn from Izmir following the anti-Greek riots of September 1955 and did not return until Turkey made efforts to compensate Greece for damages.

As usual in times of Greek-Turkish crisis, the Greek minority in Turkey is of special concern to Athens. Greek Foreign Minister Averoff has stated that Turkish violence against this minority would result in Athens' (1) severing diplomatic relations with Ankara, (2) taking retaliatory action against the Turkish minority in Greece, (3) possibly withdrawing from NATO, and (4) taking such other action as seems necessary.

Turkish and Greek rejection of the new British plan for Cyprus would make Britain's promised publication of the plan on 17 June anticlimactic. London, nevertheless, apparently intends to seek international support for the plan. It may hope, by emphasizing that the proposals are merely a basis for further negotiation, to obtain reconsideration by the parties directly concerned. Failing this, it may make a last-minute attempt to partition the island.

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Rejection of Britain's new plan, combined with the continued crisis on Cyprus and probably casualties among British security forces, will increase British public pressure on London to withdraw its forces to base enclaves. This public attitude, combined with Governor Foot's personal connections with Labor party leaders, makes it improbable that Labor will make Cyprus a partisan issue in the parliamentary debate following the 17 June announcement.

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